

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

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DEC 19 1996

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

In the Matter of )  
 )  
Federal-State Joint ) CC Docket No. 96-45  
Board on Universal )  
Service )

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Comments of General Communication, Inc.

General Communication, Inc. (GCI) hereby submits comments in response to the Common Carrier Bureau's request for comment (Request)<sup>1</sup> on the Federal-State Joint Board's Recommended Decision<sup>2</sup>. The Request invited comment on various policy questions regarding universal service as outlined in the Recommended Decision.

**Introduction**

The Commission must replace or modify the existing universal support mechanisms which are inconsistent with the pro-competitive, deregulatory policies of the Telecommunications Act of 1996 (1996 Act). The 1996 outlines the following principles for the Commission: ensure that quality service is provided at just, reasonable and affordable rates; access to advanced services is

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<sup>1</sup>Common Carrier Bureau Seeks Comment on Universal Service Recommended Decision, CC Docket 96-45, DA 96-1891, released November 18, 1996.

<sup>2</sup>Recommended Decision, CC Docket 96-45, FCC 96J-3, released November 8, 1996.

provided in all regions of the nation; rural and high cost areas receive services reasonably comparable to those services provided in urban areas; all providers of telecommunications services make an equitable and nondiscriminatory contribution to the preservation and advancement of universal service; and, the support mechanisms are specific, predictable and sufficient. Further, schools, libraries and health care facilities must have access to services. The 1996 Act instructs the Joint Board and Commission to adopt additional principles which are necessary and appropriate for the protection of the public interest, convenience, and necessity and are consistent with the 1996 Act.

GCI agrees with the principles outlined by Congress and strongly agrees with the additional principle of "competitive neutrality" adopted by the Joint Board. GCI is somewhat concerned by the ultimate size of the funds, particularly since the high cost fund will be expanded and the additional funds will be necessary to support schools, libraries and health care facilities.

**I. Competitively Neutrality Is A Necessary and Appropriate Principle**

To ensure that the pro-competitive, deregulatory goals of the 1996 Act are fulfilled, the Joint Board added the principle of competitive neutrality. To ensure this goal, the Joint Board states that both the support mechanisms and the rules should be applied in a competitively neutral

manner. GCI has supported such a principle throughout this proceeding. The funds for universal service must be collected from all telecommunications carriers on a competitively neutral basis and also distributed to all carriers on a competitively neutral basis. This principle will ensure that the rules relating to universal service will be technologically neutral and carrier neutral.<sup>3</sup> Specifically the Joint Board stated that

the principle of competitive neutrality should be applied to each and every recipient and contributor to the universal service support mechanisms, regardless of size, status or geographic location.<sup>4</sup>

The 1996 Act endorses new mechanisms to achieve procompetitive deregulatory goals. The Recommended Decision will give all carriers and all technologies an equal opportunity to provide service anywhere in the country on a competitive basis.

Universal service rules must be competitively neutral and allow competition to expand. If allowed to proceed in its natural fashion, these changes will continue to allow competition to reach into areas previously assumed to be monopolies. Consumers in all areas of the country will be able to choose their local carrier, pay lower rates, and have new technology deployed quickly and efficiently.

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<sup>3</sup>Obviously, the current rules only compensate incumbent local exchange carriers (ILECs).

<sup>4</sup>Recommended Decision, paragraph 23.

The Commission must not stand in the way of this revolution to deploy new technology and advanced services by all providers.

As recommended by the Joint Board, GCI supports the adoption of the statutory criteria set out in Section 214(e) to determine which carriers are eligible telecommunications carriers. To be designated an eligible carrier, the carrier must throughout its designated service area (1) offer all of the services that are supported by the federal universal service mechanism; (2) offer such services using its own facilities or a combination of its facilities and resale of another carrier's services; and, (3) advertise the availability and charges for such services. Additionally, in the case of areas served by a rural telephone company, the Joint Board recommended that such company's existing study area be used as the designated service area. In areas served by non-rural carriers, the states have the primary responsibility for designating the service areas. The service area should not be unreasonably large. GCI supports these criteria.

For non-rural telecommunications carriers, the Recommended Decision suggests that the level of support should be based on a proxy costs model, which calculates the cost of providing the supported services in a particular geographic area. Support for rural telephone companies (RTCs) as defined in the Act, will initially be based on

embedded costs. RTCs will calculate support using embedded cost for three years after large companies begin to use proxy models. Rural companies serving Alaska and insular areas will be permitted to use embedded costs until further review. The level of support for non-rural carriers will be based on the difference between a benchmark amount and the cost of service determined by the proxy model. For RTCs, high cost assistance, DEM weighting and long term support (LTS) benefits will be frozen on historical per-line amounts. The payment to the carrier may vary if the number of lines in service changes, but the per-line support will remain constant during the transition.

The Recommended Decision outlines three pieces of information required to calculate the amount of support an eligible telecommunications carrier may draw: the number of subscribers that the carrier is serving in the high cost area; the cost of providing the supported services to those subscribers; and, the amount of that cost that the carrier must recover from sources other than the federal universal support mechanisms.

The Joint Board recommends that support for RTCs should not be frozen at a total dollar amount, but at a per line amount. High cost assistance to carriers with high loop costs will be paid during 1997 are based on those carrier's 1995 embedded costs. The total amount paid to each carrier during 1997, based on 1995 embedded costs, should be divided

by the number of loops served. The amount of high cost assistance to be paid in 1998 will be the same per line amount paid in 1997 multiplied by the year end loop count for 1996.

GCI supports the Recommended Decision. However, the Commission must adopt the competitively neutral and deregulatory payout plan as outlined by the Joint Board. Competitive carriers in Alaska that comply with the requirements of 214(e) must receive the same amount of funding as the ILEC. GCI supports the delinking of costs and establishment of a per line payment over time so as to encourage efficient investment. This would enable the forces of competition and the resulting efficiencies to be used to drive the amount of the required subsidy downward. GCI also will study the benchmark plans as they are amended to see if those plans can be adopted for Alaska.

## **II. Schools and Libraries**

Pursuant to the Recommended Decision, all eligible schools and libraries will receive discounts between 20 and 90 percent on all telecommunications services, Internet access and internal connections, subject to a \$2.25 billion cap. Economically disadvantaged schools and libraries as well as schools and libraries located in high cost areas would receive the greater discounts. Schools and libraries will be required to comply with several self certification requirements.

GCI is somewhat concerned about the size of the fund needed solely to support schools and libraries. GCI is also concerned about the neutral application of the criteria when the fund reaches its limit.

### **III. Health Care Providers**

Services must be "necessary for the provision of health care services in a State." Carriers should be required to submit information to the Commission setting out its services and rates charged to calculate "the amount equal to the difference, if any, between the rates for services provided to health care providers for rural areas in a State and the rates for similar services provided to customers in comparable rural areas in that State."<sup>5</sup> GCI looks forward to hearing from health care providers on their needs and commenting in the reply comment round on what services are appropriate.

### **IV. Administration of Support**

All telecommunications providers, including local, long distance, competitive access providers, cellular telephone companies, pay phone providers, enhanced service providers, should be required to contribute to support universal service. Support should be based on the carriers telecommunications revenues, net of what each carrier pays any other carrier. Otherwise some carriers would be double taxed.

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<sup>5</sup>Section 254(h)(1).

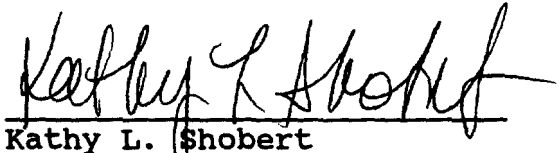
GCI supports the creation of a universal service advisory board to appoint an oversee a neutral, third party administrator of the universal support mechanism.

#### **Conclusion**

Universal service support is dependent on a system that ensures distribution through a competitive neutral system.

Respectfully submitted,

GENERAL COMMUNICATION, INC.

A handwritten signature in cursive script, reading "Kathy L. Shobert", written over a horizontal line.

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December 19, 1996



**STATEMENT OF VERIFICATION**

I have read the foregoing, and to the best of my knowledge, information and belief there is good ground to support it, and that it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct.

Executed December 19, 1996.

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CERTIFICATE OF SERVICE

I, Kathy L. Shobert, do hereby certify that a copy of the foregoing Comments was sent by first class United States mail, postage prepaid, this 19th day of December, 1996, to the following:

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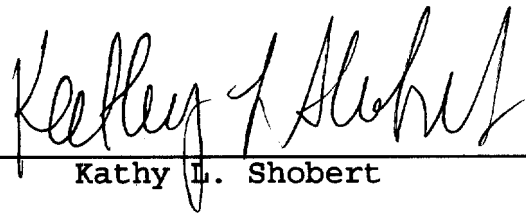
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